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1. ASAE SENDS COMMENTS TO TAX REFORM WORKING GROUPS: ASAE submitted comments April 14 to the Senate Finance Committee's bipartisan tax reform working groups charged with reviewing ideas from stakeholders on how best to overhaul the nation's tax code.

The goal of the five working groups named by Senate Finance Committee Chairman Orrin Hatch (R-UT) is to analyze existing tax law and come up with specific legislative recommendations for tax reform by the last week of May. Hatch has said the working group recommendations will serve as the foundation for the development of bipartisan tax reform legislation.

ASAE's comments were submitted to the Business Income Tax Working Group, chaired by Sens. John Thune (R-SD) and Ben Cardin (D-MD). ASAE's comments focus on how potential changes to the tax treatment of associations' revenue-generating activities would affect their ability to carry out their core purposes.

For example, the discussion draft released last year by then-Ways and Means Committee Chairman Dave Camp (R-MI) included dozens of policy prescriptions that would apply to tax-exempt organizations, including proposals to tax associations' royalty income and certain qualified sponsorship payments. Royalties (where an organization enters into a licensing arrangement for use of its name or logo) have always been treated as passive income as long as the organization is not directly involved in the marketing of products or services connected with the arrangement.

ASAE is actively working to maintain the exception for royalty income in the unrelated business income tax (UBIT) statute, and has also opposed the Camp proposal to tax income received from an event or program sponsor if the acknowledgement of support refers to any of the business sponsor's product lines or if certain sponsors are acknowledged differently than others.

ASAE agrees that associations choosing to expand into more entrepreneurial business endeavors should pay taxes like any other business, but opposes any further expansion of the UBIT statute to include other non-dues revenue activities.

"Non-dues revenue can help associations weather economic downturns when memberships may be the first budgetary items to be cut, and can help keep dues costs down so members feel they are getting good value for their affiliation," ASAE said in its comments. "The reality is that there is more competition for members' time and financial commitment than ever before, and associations need to create programs and services that enhance the value proposition for their members."

Tax reform remains a complex challenge for Congress this session, particularly with the White House prioritizing corporate-only reform as a first step toward a comprehensive overhaul. But both Hatch and House Ways and Means Committee Chairman Paul Ryan (R-WI) have committed to advancing tax reform proposals this year and associations will have a vested interest in shaping any legislation moving forward.

2. HATCH WARNS IRS ABOUT POLITICAL ACTIVITY RULES: Senate Finance Committee Chairman Orrin Hatch (R-UT) this week called on the IRS to drop its plans to release a proposed rule restricting political activity by different types of tax-exempt organizations.

The IRS last year scrapped a proposed rule regulating political activity by 501(c)(4) groups after intense opposition from groups across the political spectrum. But IRS Commissioner John Koskinen last month said the agency plans on reissuing the rule and broadening it to apply to 527 political groups, 501(c)(6) trade associations, labor unions and other tax-exempt organizations.

Hatch sent a letter to Koskinen April 13 warning him that the IRS is "starting down a very dangerous road" by attempting to restrict the rights of groups to organize and speak on political issues.

Referencing the IRS targeting of conservative tax-exempt groups two years ago, Hatch said, "The IRS is just beginning to recover its reputation, and your agency is just beginning to regain trust from lawmakers. Do not throw all of that away in a quixotic and bizarre mission to regulate the political activity of Americans."

Hatch told Koskinen to prepare for a congressional investigation if the agency moves forward with the broadened rule, and ensure document retention policies are in effect for all documents and communication related to the agency's work on this proposal.

ASAE sent a letter to Hatch this week sharing its concern with the IRS's definition of candidate-related political activity in the previous rule released last year, which included activities such as candidate forums or meet-and-greets, voter registration and even legislative alerts sent within 60 days of an election.

"ASAE strongly believes that restrictions on voter education and registration and on issue advocacy alerts – regardless of their proximity to an election – are a clear restriction on speech," said ASAE President and CEO John H. Graham IV, CAE.

3. HOUSE PASSES VARIOUS IRS BILLS: Back from a two-week recess this week, the House passed a series of bipartisan reform bills that lawmakers said were needed to ensure the IRS remains accountable to taxpayers.

The bills all passed by voice vote after being brought up under suspension of the rules. Among the bills that passed were measures to prevent the IRS from targeting any organization or individual based on their political leanings; to provide groups seeking tax-exempt status a right to an administrative appeal; and to ensure donations to tax-exempt organizations are exempted from the gift tax.

"We've said from day one that we're going to clean up the IRS, and these bills are a key part of that effort," said Ways and Means Committee Chairman Paul Ryan (R-WI). "These are common-sense, bipartisan reforms that will provide real accountability and help make sure people are never unfairly targeted again. The IRS should work for the taxpayer, not the other way around."

The bills now move to the Senate but there's not a specific timeframe yet for advancing them. IRS Commissioner John Koskinen told reporters this week that the agency has already addressed most of the issues in the package of bills passed by the House.

"A lot of this we've already done," he said. "We've put in place all the recommendations from the Inspector General to make sure the mistakes that happened in properly looking at criteria for how to respond to [tax-exempt] applications shouldn't happen again."

4. BUSINESS GROUPS BALK AT CORPORATE-ONLY TAX REFORM: A coalition of small business groups this week urged congressional tax-writers not to pursue any overhaul of the tax code that doesn't address both corporate and individual taxes.

"To ensure that tax reform results in a simpler, fairer and more competitive tax code, Congress needs to reduce top tax rates for all types of taxpayers," said an April 14 letter signed by more than 100 groups including the National Restaurant Association, the International Franchise Association and the National Federation of Independent Business among others.

House Ways and Means Committee Chairman Paul Ryan (R-WI) and Senate Finance Committee Chairman Orrin Hatch (R-UT) wrote a letter April 13 to members of the Coalition for Fair Effective Tax Rates asking for ideas on how to lower the tax rates for small businesses without addressing individual tax rates. Ryan and Hatch have both stated their preference for doing comprehensive tax reform, but say the common ground with the White House is around business-only reform.

Congressional Republicans are open to doing corporate tax reform first, but say they won't support any deal that doesn't help pass-through companies that pay taxes through their owners' individual returns.

"We are going to see if we can do part of tax reform now and the rest of it in 2017," Ryan said this week. "I want to get the whole thing reformed, but if I can get half of the tax code reformed in 2015 and the other half in 2017, I'll do that as long as it's good reform."